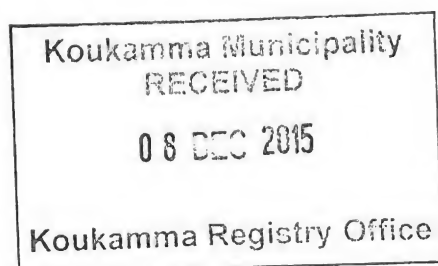


KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

INDEX

NO	CONTENTS	PAGE
1	GENERAL INFORMATION AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS	3
2	MEMBERS OF THE COUNCIL	4
3	STATEMENT OF FINANCIAL POSITION	5
4	STATEMENT OF FINANCIAL PERFORMANCE	6
5	STATEMENT OF CHANGES IN NET ASSETS	7
6	CASH FLOW STATEMENT	8
7	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	9
8	ACCOUNTING POLICIES	10
9	NOTES TO THE FINANCIAL STATEMENTS	29



**KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015**

GENERAL INFORMATION

MAYOR / SPEAKER

Cllr. Vuso MS

OTHER MEMBERS OF THE COUNCIL

Cllr. Goni P
Cllr. Jacobs S
Cllr. Jantjies B
Cllr. Krige R
Cllr. Mntambo N
Cllr. Smith K
Cllr. Nelson L

Cllr. Pottie N
Cllr. Rheeders C
Cllr. Strydom F

ADDRESS OF THE KOU-KAMMA LOCAL MUNICIPALITY

5 Keet Street
Kareedouw
3170

Private Bag X11
Kareedouw
3170

GRADING OF THE LOCAL AUTHORITY

Grade 1

EXTERNAL AUDITORS

Office of the Auditor General (East London)
69 Frere Road
Vincent
East London

PRIMARY BANKER

ABSA Bank Ltd

Accounting Officer

Nkuhlu S

KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL INFORMATION

Municipal Manager

Nkuhlu S

Chief Financial Officer

Venter N

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 13 to 87, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

Nkuhlu S

MUNICIPAL MANAGER

Date

Venter N

CHIEF FINANCIAL OFFICER

Date

**KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015**

MEMBERS OF THE COUNCIL

MAYOR / SPEAKER

Cllr. Vuso MS

COUNCILLORS

Cllr. Goni P

Cllr. Jacobs S

Cllr. Jantjies B

Cllr. Krige R

Cllr. Mntambo N

Cllr. Smith K

Cllr. Nelson L

Cllr. Pottie N

Cllr. Rheeders C

Cllr. Strydom F

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, 1996 read with the Remuneration of Public Office Bearers Act No.20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

Nkuhlu S

MUNICIPAL MANAGER

Date

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

		Actual	
	Note	2015 R	Restated 2014 R
ASSETS			
Current Assets		21 223 466	25 875 979
Inventories	2	318 816	762 427
Receivables from Exchange Transactions	3	8 626 940	5 491 872
Receivables from Non-exchange Transactions	4	12 036 810	8 979 536
VAT Receivable	5	0	2 290 372
Cash and Cash Equivalents	6	165 861	8 288 278
Operating Lease Receivables	7	75 038	63 494
Non-Current Assets		327 158 744	318 365 637
Property, Plant and Equipment	8	301 611 633	292 251 409
Intangible Assets	9	376 454	737 721
Investment Property	10	25 170 658	25 376 508
Total Assets		348 382 210	344 241 617
LIABILITIES			
Current Liabilities		36 645 062	33 912 092
Consumer Deposits	11	104 700	104 700
Current Portion of Long-term Liabilities	15	271 666	238 354
Provisions	12	1 316 855	984 531
VAT	5	767 665	
Payables from Exchange Transactions	13	28 483 078	28 004 178
Unspent Conditional Grants and Receipts	14	5 701 098	4 580 329
Non-Current Liabilities		4 025 736	3 261 101
Employee Benefit Liabilities	15	2 806 695	2 094 050
Non-current Provisions	16	1 219 040	1 167 051
Total Liabilities		40 670 798	37 173 193
Net Assets		307 711 412	307 068 423
NET ASSETS		307 711 412	307 068 423
Accumulated Surplus	17	307 711 412	307 068 423
Total Net Assets		307 711 412	307 068 423

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2015

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

		Actual	
	Note	2015	Restated 2014
		R	R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	18	15 487 638	13 285 401
Fines		671 554	656 437
Income for Agency Services	19	1 491 722	-
Government Grants and Subsidies Received	20	81 284 428	95 740 214
Revenue from Exchange Transactions			
Service Charges	21	23 168 945	21 977 718
Rental of Facilities and Equipment	22	333 288	471 266
Interest Earned - External Investments	23	296 568	710 367
Interest Earned - Outstanding Debtors	23	5 554 337	-
Other Revenue	24	1 176 094	693 075
Licences and Permits		8 594	1 548 462
Gain on disposal of Property, Plant and Equipment		22 896	
Total Revenue		129 496 064	135 082 940
EXPENDITURE			
Employee Related Costs	25	(39 116 240)	(33 450 844)
Remuneration of Councillors	26	(2 900 839)	(2 768 281)
Depreciation and Amortisation	27	(16 882 562)	(18 907 196)
Bad debts		(19 637 706)	(10 331 914)
Repairs and Maintenance		(2 794 964)	(5 400 224)
Finance Costs	28	(649 622)	(346 188)
Bulk Purchases	29	(2 674 226)	(2 737 927)
Contracted Services	30	(3 351 468)	(2 845 180)
Grants and Subsidies Paid	31	(25 093 704)	(45 060 716)
General Expenses	32	(15 751 744)	(17 162 802)
Loss on Disposal of Property, Plant and Equipment			(59 798)
Total Expenditure		(128 853 075)	(139 071 070)
SURPLUS / (DEFICIT) FOR THE YEAR		642 988	(3 988 130)

AUDITORS
SOUTH AFRICA

30 NOV 2015

KOU-KAMMA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

		Actual	
	Note	2015 R	2014 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		39 328 136	35 919 556
Government Grant and Subsidies	20	81 284 428	95 740 215
Licence and permits		8 594	1 548 462
Interest Received	23	5 850 905	710 367
Other Receipts		3 024 000	1 146 158
Payments			
Payments to Suppliers and employees			
Employee Related Costs	25	(39 116 240)	(33 450 844)
Remuneration of Councillors	26	(2 900 839)	(2 768 281)
Interest Paid	28	(649 622)	(346 188)
Suppliers Paid		(43 519 674)	(67 793 126)
Other Payments		(27 314 667)	(2 845 179)
NET CASH FLOWS FROM OPERATING ACTIVITIES	33	15 995 023	5 802 955
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(25 818 356)	(25 116 533)
Purchase of Intangible Assets	8	(214 065)	(352 570)
Proceeds on Disposal of Property, Plant and Equipment		794 213	325 339
Movement in unspent conditional grants assets		1 120 769	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(24 117 439)	(25 143 764)
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH FLOWS FROM FINANCING ACTIVITIES		(8 122 417)	(19 340 809)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	6	(8 122 417)	(19 340 809)
Cash and Cash Equivalents at Beginning of Period		8 288 278	5 265 109
Cash and Cash Equivalents at End of Period		165 861	8 288 278

AUDITOR - GENERAL
SOUTH AFRICA
30 NOV 2015

KOU-KAMMA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

Description	Accumulated Surplus / (Deficit)	Total
	R	R
2014		
Balance at 30 June 2013	312 113 242	312 113 242
Operating lease asset (refer note 35.1)	45 311	312 158 553
Correction of error: Opening balance (Refer to note 35.2)	(1 102 000)	311 056 553
Restated Balance as at 1 July 2013	311 056 553	311 056 553
(Deficit) for the year	(3 988 130)	307 068 423
Balance at 30 June 2014	307 068 423	307 068 423
2015		
Balance at 30 June 2014	307 068 423	307 068 423
Surplus for the year	642 988	307 711 412
Balance at 30 June 2015	307 711 412	307 711 412

AUDITOR - GENERAL
SOUTH AFRICA
30 NOV 2015

KOU-KAMMA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
as at 30 June 2015

Description	Original Budget R	Budget Adjustments (i.e. s28 & s31 Of The MFMA) R	Final Budget R	Actual Income R	Unauthorised Expenditure R	Variance R	Variance percentage	Actual Income As % Of Final Budget R	Actual Outcome As % Of Original Budget R	Notes
Financial Performance										
Property Rates	15 259 250	(408 500)	14 850 750	15 487 638	636 888	636 888	4%	104%	101%	
Service Charges	22 623 523	(1)	22 623 522	23 168 945	545 423	545 423	2%	102%	102%	
Rental of Facilities and Equipment	142 786	46 984	189 770	333 288	143 518	143 518	76%	176%	233%	N1
Investment Revenue	681 427	1	681 428	296 568	-384 860	(384 860)	-56%	44%	44%	N2
Interest earned:outstanding debtors	-	3 501 026	3 501 026	5 554 337	2 053 311	2 053 311	59%	159%		
Fines	636 000	159 091	795 091	671 554	-123 537	(123 537)	-16%	84%	106%	
Income for the agency fees	2 125 500	132 613	2 258 113	1 491 722	-766 391	(766 391)	-34%	66%	70%	
Licences and Permits	7 245	427	7 672	8 594	922	922	12%	112%	119%	
Government grants and subsidies	59 053 000	12 730 745	71 783 745	81 284 428	9 500 683	9 500 683	13%	113%	138%	
Other Own Revenue	8 064 337	1 060 898	9 125 235	1 176 094	-7 949 141	(7 949 141)	-87%	13%	15%	N2
Gain on disposal of asset	-	-	-	22 896	22 896	22 896				
Total Revenue (Excluding Capital Transfers & Contributions)	108 593 068	17 223 284	125 816 352	129 496 064	3 656 816	3 679 712	3%	103%	119%	
Employee Costs	34 146 544	957 178	35 103 722	39 116 240	4 012 518	4 012 518	11%	111%	115%	
Remuneration Of Councillors	2 907 169	(1)	2 907 168	2 900 839	(6 329)	(6 329)	0%	100%	100%	
Debt Impairment	9 313 423	1 081 490	10 394 913	19 637 706	9 242 793	9 242 793	89%	189%	211%	N3
Depreciation & Asset Impairment	4 205 000	16 874 039	21 079 039	16 882 562	(4 196 477)	(4 196 477)	-20%	80%	401%	N3
Finance Charges	50 245	134 755	185 000	649 622	464 622	464 622	251%	351%	1293%	N4
Materials & Bulk Purchases	3 076 284	(89 445)	2 986 839	2 674 226	(312 613)	(312 613)	-10%	90%	87%	
Repairs and Maintenance	1 178 654	232 468	1 411 122	2 794 964	1 383 842	1 383 842	98%	198%	237%	N5
Contracted Services	3 363 886	(128 417)	3 235 469	3 351 468	115 999	115 999	4%	104%	100%	
Transfers & Grants	17 511 583	12 610 056	30 121 639	25 093 704	(5 027 935)	(5 027 935)	-17%	83%	143%	
Other Expenditures	17 160 717	1 464 124	18 624 841	15 751 744	(2 873 097)	(2 873 097)	-15%	85%	92%	
Loss on disposal of asset	-	-	-							
Total Expenditure	92 973 504	33 136 248	126 049 752	128 853 075	2 803 323	2 803 323	2%	102%	139%	
Surplus/(Deficit)	15 679 564	(15 912 964)	(233 400)	642 989	853 493	876 389	-375%	-275%	4%	
Capital Expenditure										
	19 884 564	961 077	20 845 641	26 246 486		5 400 845	26%	126%	132%	

Notes and Legends:

N1

N2

N3

N3

N3

N4

N5

This amount is not considered to be material hence no further explanation is required.

The municipality did not charge interest in the prior year, therefore a conservative approach was taken during the adjustments budget process.

Due to the aging of debt considerations needed to be taken to impair these debtors.

Due to the unbundling of assets in the current year the true value of depreciation was not known at the date of drafting the budget.

The total amount provided exceeded the budgeted amount due to the non recoverability of long outstanding debt recalculated at year end.

Higher than anticipated bank costs, the municipality is in the process of negotiating for a decrease in fees.

The budget is disclosed as part of the capital budget, however the work done, can be considered repairs and maintenance.

AUDITOR - GENERAL
SOUTH AFRICA
30 NOV 2015

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) listed below including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 1.6 standards and interpretations effective and adopted in the current year.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below.

The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy on *Revenue from Exchange Transactions* and Accounting Policy on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 and GRAP 23. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate. At the time of initial recognition it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods or services will not occur, because the entity has an obligation to collect all revenue.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy on *Financial Assets Classification* and Accounting Policy on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1. 2. 3 Impairment of Financial Assets

Accounting Policy on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

This was performed per service-identifiable categories across all classes of debtors.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (Continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (Continued)

1. 2. 4 *Useful lives of Property, Plant and Equipment, Intangible assets and Investment property*

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy on *PPE - Impairment of assets* and Accounting Policy on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing, write down of Inventories to the lowest of Cost and Net Realisable Values (NRV) and whether assets should be written down to current replacement cost.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management. During the year no impairments were made to PPE, intangible assets or inventory.

1. 2. 6 *Water inventory*

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

1. 2. 7 *Defined Benefit Plan Liabilities*

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the notes to the Annual Financial Statements.

1. 2. 8 *Provisions and contingent liabilities*

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. Additional disclosure of these estimates of provisions are included in Note 15 Provisions. A valuation report is prepared annually by the Province of the Eastern Cape Local Government and Traditional Affairs Department. This report is an effect to ensure that Kou-kamma Local Municipality complies with the Waste Act and the Generally Recognised Accounting Practice (GRAP) 17 and 19 requirements and standards. GRAP 17 requires the cost of rehabilitation of landfill sites to be capitalised as property, plant and equipment and within GRAP 17 the interest of this report is in the depreciation rate of the sites. GRAP 19 requires for costs of rehabilitation of landfill sites to be provided for.

1. 2. 9 *Budget information*

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (Continued)

New Standards and Interpretations

1. 6 Standards and interpretations effective and adopted in the current year

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition. The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense. The effective date of the interpretation is for years beginning on or after 01 April 2013.

GRAP 1 (as revised 2010): Presentation of Financial Statements

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes. Paragraphs added to Changes in accounting policies A change from one basis of accounting to another basis of accounting is a change in accounting policy. A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies: The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC. Commentary on the selection of benchmark and alternative accounting policies has been deleted. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes. Dividends or similar distributions declared from pre-acquisition surpluses: Paragraph .36 has been amended to encompass not only securities, but any contributed capital. Various amendments, deletions and additions to examples included in the appendix. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 12 (as revised 2010): Inventories

Cost formulas: Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense: Where reference has been made to 'net realisable value', 'current replacement cost' has been added. Fair value measurement: The appendix on how to determine fair value has been deleted. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

1. BASIS OF PRESENTATION (Continued)

1. 6 Standards and interpretations effective and adopted in the current year (Continued)

GRAP 13 (as revised 2010): Leases

Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights. Non-current Assets Held for Sale and Discontinued.

Operations:

Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard. Guidance on accounting for finance leases by lessors: The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance. Guidance on operating lease incentives and substance over legal form: The guidance included in the original text on substance over legal form has been deleted. Classification of leases on land and buildings elements: The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (Continued)

1. 6 Standards and interpretations effective and adopted in the current year (Continued)

GRAP 16 (as revised 2010): Investment Property

Recognition of investment property: Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property. This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.

The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably. Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property. Disclosure: Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount. Amendments to be applied as follow: Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier. Any other amendments to the Standards of GRAP shall be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 17 (as revised 2010): Property, Plant and Equipment

Scope: The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions. Investment properties under construction have been removed from the scope.

Measurement at initial recognition: Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value. Depreciable amount and depreciation period: An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not

require the entity to amend the previous estimate unless expectations differ from the previous estimate. Derecognition: The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed. Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories. Disclosures: The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used. The requirement to disclose the cost basis for revaluated assets was removed. Amendments to be applied as follow: Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. Any other amendments to the Standards of GRAP shall be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise: a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits. The standard states the recognition, measurement and disclosure requirements of: short-term employee benefits; all short-term employee benefits; short-term compensated absences; bonus, incentive and performance related payments; post-employment benefits: Defined contribution plans; other long-term employee benefits; an termination benefits. The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred. The effective date of the standard is for years beginning on or after 01 April 2013.

The adoption of these amendment is not expected to impact on the results of the municipality, but has resulted in more disclosures in the annual financial statements.

1. 7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued February 2011, effective date 15 April 2015

GRAP 20 Related Party Disclosures - issued June 2011

GRAP 32 Service concession arrangements grantor

GRAP 105 Transfers between entities under common control - issued November 2010, effective date 15 April 2015

GRAP 106 Transfers between entities not under common control - issued November 2010, effective date 15 April 2015

GRAP 107 Mergers - issued November 2010, effective date 15 April 2015

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (Continued)

1. 7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

All the other listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet effective, the municipality may elect to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 32 Service concession arrangements grantor

The standard prescribes the accounting treatment for service concession arrangements by the grantor, a public sector entity. The effective date of the standard has not been determined yet.

No significant impact on the financial statements of the Municipality is expected.

GRAP 108 Statutory receivables

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The effective date of the standard has not been determined yet.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. PROPERTY, PLANT AND EQUIPMENT

2. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, other than investment property, or for administrative purposes, and are expected to be used during more than one year.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 1 Initial Recognition (Continued)

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset at acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at cost less accumulated depreciation and impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2. 3 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The following is an indication of the maximum expected useful life of the assets:

	Years		Years
Infrastructure		Buildings	30
Roads and Paving	30		
Electricity	20	Other	
Water	20	Specialist Vehicles	20
Landfill Sites	7 - 50	Other Vehicles	7
		Office Equipment	10
Community		Furniture and Fittings	10
Recreational Facilities	30	Specialised Plant and Equipment	15
Security	5	Other Plant and Equipment	5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2. 6 Land & Buildings

Undeveloped Land is not depreciated as it is deemed to have an indefinite useful life, buildings and other structures situated on developed land are depreciated less their residual value over their useful life.

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

2. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2013, and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3.

3. INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

3. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. INTANGIBLE ASSETS (Continued)

3. 2 Subsequent Measurement, Amortisation and Impairment (Continued)

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	2-10
Website	6

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. INVESTMENT PROPERTY

4. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognized as an asset where, and only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

4. INVESTMENT PROPERTY (Continued)

4. 1 Initial Recognition (Continued)

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

4. 2 Subsequent Measurement

4. 2. 1 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 30 - 60 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The residual value of the investment properties been assumed to be zero.

The land is not depreciated as it has an indefinite useful life.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

5. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

5. 1. Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

5. IMPAIRMENT OF ASSETS (Continued)

5. 1. Impairment of Cash generating assets (Continued)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

5. 2. Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6. 1 Financial Assets - Classification

A financial asset is any asset that is cash or a contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial assets at amortised cost

Financial assets at fair value

Financial assets at cost

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

6. FINANCIAL INSTRUMENTS (Continued)

6. 1 Financial Assets - Classification (Continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial Instruments at Amortised Cost
Bank Balances and Cash	Financial Instruments at Amortised Cost
Consumer Debtors	Financial Instruments at Amortised Cost
Other Debtors	Financial Instruments at Amortised Cost
Vat Receivable	Financial Instruments at Amortised Cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial liabilities measured at amortised cost
Other Creditors	Financial liabilities measured at amortised cost
Trade Creditors	Financial liabilities measured at amortised cost
Accruals	Financial liabilities measured at amortised cost
Consumer Deposits	Financial liabilities measured at amortised cost
Retention	Financial liabilities measured at amortised cost

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6. 3 Initial and Subsequent Measurement

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

6. 3 Initial and Subsequent Measurement

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate. Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due. Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

6. FINANCIAL INSTRUMENTS (Continued)

6. 4 Impairment of Financial Assets (Continued)

Financial assets carried at amortised cost

Debtors encompasses long term debtors, consumer debtors and other debtors.

Initially Debtors are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Debtors within 12 months from the date of reporting are classified as current.

A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of debtors are assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

The amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. INVENTORIES

7. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

7. INVENTORIES (Continued)

7. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale of inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Water inventory

Water is regarded as inventory when the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8. REVENUE RECOGNITION

8. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

8. 1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered, the value of which approximates the consideration received or receivable.

8. 1. 1 Service Charges

Service charges relating to sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

8. REVENUE RECOGNITION (Continued)

8. 1. 1 Service Charges (Continued)

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

8. 1. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

8. 1. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

8. 1. 4 Tariff Charges

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

8. 1. 5 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

8. 1. 6 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

8. 2 Revenue from Non-exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

8. 2. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

8. 2. 2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

8. REVENUE RECOGNITION (Continued)

8. 2 Revenue from Non-exchange Transactions (Continued)

8. 2. 3 *Revenue from conditional grants, building and funding*

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

8. 2. 4 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

9. PROVISIONS

Provisions are recognised when:

- The municipality has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

10. EMPLOYEE BENEFITS

10. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

10. EMPLOYEE BENEFITS

10. 1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10. 2 Post employment benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

10. 2. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

10. 2. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

11. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases other than finance leases are classified as operating leases.

11. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured at lower of fair value of the asset or the PV of the minimum lease payments, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, Plant and Equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed in the Statement of Financial Performance when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

11. LEASES

11. 1 The Municipality as Lessee

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11. 2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

11. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

12. BORROWING COSTS

Borrowing costs are expensed as they occur.

13 GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

14 VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991. Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of changes in accounting policies where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review where applicable.

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

20. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

21. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

22. COMPARATIVE INFORMATION

22. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 24, been provided to these financial statements and forms part of the Annual Financial Statements.

22. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified, unless a standard of GRAP does not require the restatements of comparative information. The nature and reasons for the reclassification are disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

22. COMPARATIVE INFORMATION

22. 3 Budget Information

The annual budget figures for the period 1 July 2013 to 30 June 2014 have been prepared and presented in accordance with the GRAP standard under the accrual basis of accounting for budgets approved by Council by nature classification, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

24. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

25. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

1. GENERAL INFORMATION

Kou-Kamma Municipality (the municipality) is a local government institution in the Eastern Cape, and is one of nine local municipalities under the jurisdiction of the Sarah Baartman District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Store	277 162	726 142
Water - at cost	41 654	36 285
Total Inventories	318 816	762 427

All inventory at year end is carried at cost.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Service Debtors:	43 281 929	31 081 048
Electricity	350 220	184 585
Refuse	7 620 035	5 695 477
Sewerage	16 538 298	12 008 384
Water	18 566 993	13 192 601
Other Receivables	206 384	133 088
Housing	152 647	120 166
Loan instalments	53 736	12 923
Less: Provision for Impairment	(34 654 989)	(25 722 264)
Electricity	(195 796)	(175 356)
Water	(14 741 092)	(10 650 981)
Sewerage	(13 451 318)	(10 105 303)
Refuse	(6 184 510)	(4 690 776)
Housing rental	(49 379)	(80 168)
Loan instalments	(32 893)	(19 680)
Total Receivables from Exchange Transactions	8 626 940	5 491 872

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and debtors as well as the current payment ratio's of the municipality's debtors.

3.1 Ageing of Receivables from Exchange Transactions

Electricity		
Current (0 -30 days)	(40 125)	4 104
31 - 60 days	24 586	8 272
61 - 90 days	25 547	3 038
91 - 120 days	-	3 560
+120 days	19 731	165 611
Interest	320 481	-
Allowance for debt impairment	(195 796)	(175 356)
	154 424	9 229
Water		
Current (0 -30 days)	492 129	416 211
31 - 60 days	636 621	1 079 519
61 - 90 days	508 539	662 230
91 - 120 days	698 452	346 469
+120 days	15 115 769	10 688 173
Interest	1 115 483	-
Allowance for debt impairment	(14 741 092)	(10 650 981)
	3 825 901	2 541 620
Sewerage		
Current (0 -30 days)	433 573	315 354
31 - 60 days	405 839	586 660
61 - 90 days	397 521	285 718
91 - 120 days	336 444	282 686
+120 days	13 654 980	10 537 966
Interest	1 309 940	-
Allowance for debt impairment	(13 451 318)	(10 105 303)
	3 086 979	1 903 081

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	2015 R	2014 R
Refuse		
Current (0 -30 days)	196 419	163 931
31 - 60 days	187 129	292 937
61 - 90 days	183 047	140 098
91 - 120 days	177 826	137 575
+120 days	6 399 571	4 960 937
Interest	476 044	-
Allowance for debt impairment	(6 184 510)	(4 690 776)
	1 435 525	1 004 701
Housing rental		
Current (0 -30 days)	(19 678)	10 141
31 - 60 days	9 055	14 228
61 - 90 days	21 819	378
91 - 120 days	5 254	369
+120 days	133 281	95 049
Interest	2 917	-
Allowance for debt impairment	(49 379)	(80 168)
	103 268	39 998
Loan instalments		
Current (0 -30 days)	11 638	761
31 - 60 days	-	1 521
61 - 90 days	-	761
91 - 120 days	-	761
+120 days	384	9 120
Interest	28	
Allowance for debt impairment	(32 893)	(19 680)
	(20 843)	(6 757)
3.2 Reconciliation of the Provision for Impairment		
Balance at beginning of year	(26 894 440)	(19 624 546)
(Allowance raised) reversal of allowance	(19 643 025)	(11 377 262)
Amounts written off as uncollectable	11 882 476	4 107 368
Balance at end of year	(34 654 989)	(26 894 440)

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

Receivables from exchange transactions past due but not impaired

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2015, R 2 937 311 (2014: R 3 478 798) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	570 832	1 159 049
2 months past due	1 252 585	1 325 331
3 months past due	1 113 894	994 419
	2 937 311	3 478 798

No debtors were pledged as security.

3.3 Ageing of Impaired Receivables from Exchange Transactions

As at 30 June 2015

	Current 0 - 30 days	Past Due		Total
		31 - 60 Days	61 - 90 Days + 90 Days	
All Receivables:				
Gross Balances	1 073 956	1 263 230	1 136 473	36 541 691.15
Less: Provision for Impairment	-	-	-	(34 654 989)
Net Balances	1 073 956	1 263 230	1 136 473	5 360 361

As at 30 June 2014

	Current 0 - 30 days	Past Due		Total
		31 - 60 Days	61 - 90 Days + 90 Days	

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

3.3 Ageing of impaired Receivables from Exchange Transactions (Continued)

All Receivables:

Gross Balances	910 501	1 983 138	1 092 222	27 228 275 (26 894 440)	31 214 136 (26 894 440)
Less: Provision for Impairment					
Net Balances	910 501	1 983 138	1 092 222	333 835	4 319 696

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2015

Assessment Rates Debtors	Gross Balances R	Provision for Impairment R	Net Balances R
Other receivables from non exchange transactions	20 367 046	(11 197 562)	9 169 484
	2 867 326	-	2 867 326
Total Receivables from Non-exchange Transactions	23 234 372	(11 197 562)	12 036 810

As at 30 June 2014

Assessment Rates Debtors	Gross Balances R	Provision for Impairment R	Net Balances R
Other receivables from non exchange transactions	17 007 765	(8 213 773)	8 793 992
	185 544	-	185 544
Total Receivables from Non-exchange Transactions	17 193 309	(8 213 773)	8 979 536

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 2014
R R

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2015

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	1 053 152	311 958	255 909	18 746 026 (11 197 562)	20 367 046 (11 197 562)
Less: Provision for Impairment	1 053 152	311 958	255 909	7 548 464	9 169 484
Net Balances					

Other receivables from non exchange transactions:

Gross Balances	2 867 326	-	-	-	2 867 326
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2 867 326				2 867 326

As at 30 June 2014

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	388 780	546 382	233 109	15 839 494 (8 213 773)	17 007 765 (8 213 773)
Less: Provision for Impairment	388 780	546 382	233 109	7 625 721	8 793 992
Net Balances					

Other receivables from non exchange transactions:

Gross Balances	185 554	-	-	-	185 554
Less: Provision for Impairment	-	-	-	-	-
Net Balances	185 554				185 554

Other receivables from non exchange transactions:

Current (0 -30 days)				2 867 326	185 554
31 - 60 days					
				2 867 326	185 554

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4.1 Ageing of Receivables from Non-exchange Transactions (continued)

	2015 R	2014 R
Rates		
Current (0 -30 days)	1 053 152	388 780
31 - 60 days	311 958	546 382
61 - 90 days	255 909	233 109
91 - 120 days	162 103	223 000
+120 days	16 567 743	15 616 494
Interest	2 016 180	-
Allowance for debt impairment	(11 197 562)	(8 213 773)
	9 169 484	8 793 992

4.2 Reconciliation of Provision for Impairment

Balance at beginning of year	8 213 773	8 095 710
Impairment Losses recognised	3 382 812	118 063
Impairment Losses reversed	(399 023)	-
Balance at end of year	11 197 562	8 213 773

The Provision for Impairment on debtors exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

Furthermore, no Provision for Impairment was calculated on Receivables from Non-Exchange Transactions other than Assessment Rates Debtors as the management is of the opinion that all other Receivables are recoverable within normal credit terms.

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2015, R 2 731 310 (2014: R 984 376) were past due but not impaired.

1 month past due	2 163 443	493 751
2 months past due	311 958	234 118
3 months past due	255 909	256 507
	2 731 310	984 376

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5. VAT RECEIVABLE

	2015 R	2014 R
Vat Receivable	<u>767 665</u>	<u>2 290 372</u>

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

6. CASH AND CASH EQUIVALENTS

Current investment deposits	1 456	10 719
Bank Accounts	164 095	8 277 249
Total bank balances	<u>165 551</u>	<u>8 287 968</u>
Cash on hand	310	310
Total Bank, Cash and Cash Equivalents	<u>165 861</u>	<u>8 288 278</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

The total bank balances at year end are all cash accounts and the money is available immediately on request. Therefore there are no call deposit accounts that need to be separately disclosed.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

6. CASH AND CASH EQUIVALENTS (Continued)

The Municipality has the following bank and investment deposit accounts:

Restrictions relate to unspent conditional grants, only if the condition of the grant is met can transfers from cash be done. Refer to note 20.

Account number / description	Bank statement balances		Cash book balances	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
Bank accounts				
ABSA Bank Ltd - Current Account (Primary account) - 405 280 5864	34 094	2 435 015	128 253	2 539 296
ABSA Bank Ltd - Cheque Account - 19 4015 8695	304	132 237	304	132 237
ABSA Bank Ltd - Cheque Account - 40 5774 2120	696	1 985 982	696	1 985 982
ABSA Bank Ltd - Call Account - 90 7906 4583	18 355	172 923	26 953	183 472
ABSA Bank Ltd - Cheque Account - 19 4015 8687	756	3 425 941	756	3 425 941
ABSA Bank Ltd - Savings Account - 91 0220 9606	6 822	10 321	6 822	10 321
ABSA Bank Ltd - Savings Account - 91 9914 8641	1 456	10 719	1 456	10 719
Total	62 484	8 173 138	165 241	8 287 968

6.1 Cash on hand

Cash Floats and Advances	310	310
Total Cash on hand in Cash Floats, Advances and Equivalents	310	310

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

7. OPERATING LEASE ASSET

Operating leases are recognised on the straight line basis as per requirement of GRAP 13. In respect of non-cancellable leases the following asset has been recognised:

Balance at the beginning of the year	63 494	45 311
Operating lease revenue recorded	11 544	18 183
Operating lease revenue affected	-	-
Balance at the end of the year	75 038	63 494

(refer note 35.1)

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

8. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	4 903 499	(53 430)	4 850 069	4 903 499	(53 430)	4 850 069
Buildings	6 152 145	(2 344 202)	3 807 943	6 152 145	(2 085 919)	4 066 226
Other property, plant and equipment	20 982 105	(16 786 693)	4 195 412	22 691 207	(9 093 594)	13 597 613
Infrastructure	363 180 496	(115 480 639)	247 699 857	353 963 204	(104 373 654)	249 589 549
Community	25 695 389	(9 059 370)	16 636 019	21 512 865	(8 314 636)	13 198 229
Infrastructure - WIP	24 422 333	-	24 422 333	6 949 722	-	6 949 722
Total	445 335 967	(143 724 334)	301 611 633	416 172 641	(123 921 233)	292 251 409

Reconciliation of property, plant and equipment - 2015

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4 850 069	-	-	-	-	-	4 850 069
Buildings	4 066 226	-	-	-	(258 283)	-	3 807 943
Other property, plant and equipment	13 597 613	626 481	(2 410 349)	(8 425 949)	807 616	-	4 195 412
Infrastructure	249 589 550	11 962 689	(2 742 455)	-	(11 109 928)	-	247 699 856
Community	13 198 230	4 182 523	-	-	(744 734)	-	16 636 019
Infrastructure - WIP	6 949 722	9 046 663	-	8 425 949	-	-	24 422 334
Total	292 251 409	25 818 356	(5 152 804)	-	(11 305 329)	-	301 611 632

Reconciliation of property, plant and equipment - 2014

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4 850 069	-	-	-	-	-	4 850 069
Buildings	4 316 579	-	-	-	(250 353)	-	4 066 226
Other property, plant and equipment	7 009 968	8 420 273	(341 184)	-	(1 491 444)	-	13 597 613
Infrastructure	260 782 292	5 098 038	(36 953)	-	(16 253 827)	-	249 589 550
Community	10 899 660	2 898 489	-	-	(599 919)	-	13 198 230
Infrastructure - WIP	2 491 635	8 699 733	-	(4 241 646)	-	-	6 949 722
Total	290 350 203	25 116 533	(378 137)	(4 241 646)	(18 595 544)	-	292 251 409

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

9. INTANGIBLE ASSETS

	2015			2014		
	Cost	Accumulated depreciation and impairment	Additions	Carrying value	Cost	Accumulated depreciation and impairment
Computer software	1 590 562	(1 428 173)	214 065	376 454	1 590 560	(852 839)
						737 721

Reconciliation of intangible assets - 2015

Computer software

Disposals			
Opening	Additions	Amortisation	Total
737 721	214 065	(575 339)	376 447

Reconciliation of intangible assets - 2014

Computer software

Opening	Additions	Amortisation	Total
668 852	352 570	(283 701)	737 721

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

10. INVESTMENT PROPERTY

	2015			2014		
	Cost	Disposal	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment
Investment property - Land	25 094 100	(46 000)	-	25 048 100	25 101 100	(7 000)
Investment property - Buildings	869 937	-	(747 379)	122 558	869 937	(587 529)
	25 964 037	(46 000)	(747 379)	25 170 658	25 971 037	(594 529)
					25 376 508	

Reconciliation of investment property - 2015

Investment property - Land
Investment property - Buildings

Opening	Disposal	Depreciation	Total
25 094 100	(46 000)	-	25 048 100
282 408		(159 850)	122 558
25 376 508	(46 000)	(159 850)	25 170 658

Reconciliation of investment property - 2014

Investment property - Land
Investment property - Buildings

Opening	Disposal	Depreciation	Total
25 101 100	(7 000)	-	25 094 100
310 359	-	(27 951)	282 408
25 411 459	(7 000)	(27 951)	25 376 508

Details of property

No investment property has been given as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2 015	2 014
	R	R
11. CONSUMER DEPOSITS		
Electricity and Water	104 700	104 700
Total Consumer Deposits	104 700	104 700
12. PROVISIONS		
Balance at beginning of Year	984 531	1 018 304
Provision for performance bonus	332 324	311 195
Performance bonus provision utilised	-	(344 968)
Total Provisions	1 316 855	984 531
Provision for workmen's compensation has not been paid for the 2011/2012 financial year. A provision has been raised for the amount outstanding. The amount of R 673 336 has been estimated based on an invoice received for the 2012/2013 financial year.		
No performance bonuses was paid for the 2013/14 and 2014/15 financial years.		
13. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables	9 516 551	9 499 212
Other payables	15 379 067	15 484 628
Accrued Expenses	3 587 460	3 020 338
Total Payables	28 483 078	28 004 178
The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.		
The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.		
The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.		
14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
<i>Unspent conditional grants and receipts comprises of:</i>		
Provincial: IDP	(0)	4 697
Provincial: LED	132 028	237 824
DSRAC Library	379 481	207 207
Housing rectification	1 812 688	1 240 922
Sarah Baartman District Municipality: Environmental Health Subsidy	236 644	
National - Department of Water Affairs Grant	3 140 257	762 333
Disaster Relief Grant	(0)	2 127 346
Total Unspent Conditional Grants	5 701 098	4 580 329
Grants spent during the financial year is in accordance with the conditions thereof.		

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

15. EMPLOYEE BENEFIT LIABILITIES

Non current liability
Post-retirement Health Care Benefits Liability
Provision for Long Service Awards

2 015 2 014
R R

1 575 655	1 070 620
1 231 040	1 023 430
2 806 695	2 094 050

Current portion of long term liability
Post-retirement Health Care Benefits Liability
Provision for Long Service Awards

115 656	109 530
156 010	128 824
271 666	238 354

15. 1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year
Net actuarial (losses)/profits
Increase due to Discounting
Benefits paid

1 180 150	903 192
523 052	270 236
61 129	67 630
(73 020)	(60 908)

Total Post-retirement Health Care Benefits Liability

1 691 311	1 180 150
-----------	-----------

Transfer to Current Provisions

(115 656)	(109 530)
-----------	-----------

Non-current portion of post-retirement Health Care Benefits Liability

1 575 655	1 070 620
-----------	-----------

The assumptions used are based on statistics and market data as at 30 June 2015. The following assumptions, in line with GRAP 25, have been used.
Assumptions used at the reporting date:

Discount rates used
General inflation
Medical inflation
Real rate (GAP)

8.17%	8.14% #
5.97%	6.14% #
7.47%	7.64% #
0.65%	0.46% #

Discount rate assumption:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.17% per annum has been used. The corresponding index-linked yield at this term is 1.60%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 015 R 2 014 R

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

15.1 Post-retirement Health Care Benefits Liability (Continued)

Health care cost inflation assumption

This assumption is required to reflect the estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective. A health care cost inflation rate of 7.47% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.97%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.65%.

Future inflation assumption:

The expected inflation assumption of 5.97% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.60%) and those of fixed interest bonds (8.17%). The next contribution increase was assumed to occur with effect from 1 January 2016.

Net discount rate:

Even though the actual values used for the discount rate and the expected increase in medical subsidies are important, the "gap" between the two assumptions are more important. This "gap" is referred to as the net discount rate. The net discount rate has increased from 0.46% p.a. to 0.56% p.a. (Derived from a discount rate of 8.17% and the expected medical inflation rate of 7.47%)

Post-retirement mortality:

The post-retirement mortality assumptions are based on the PA(90) mortality tables rated down by 1 year. This assumption is in line with the previous assumptions used.

Family profile:

It has been assumed that husbands will be 4 years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future events. The actual cost of the subsidy will however be dependent on the actual experience. The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results.

		<u>Current Assumption 0.46%</u>	<u>0.5% decrease in gap (0.04%)</u>	<u>0.5% increase in gap (0.96%)</u>
Real rate of return				
Liability	1 691 311	1 606 745	1 775 876	
Cost / (Saving)	-	84 566	(84 566)	

KOU-KAMMA MUNICIPALITY

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

<u>Mortality</u>	<u>Current Assumption PA(90)-1</u>	<u>PA(90)</u>	<u>PA(90)-2</u>
Liability	1 691 311	1 613 003	1 769 618
Cost / (Saving)	-	78 308	(78 308)
The amounts recognised in the Statement of Financial Position are as follows:			
Balance at the beginning of the year		1 180 150	903 192
Net actuarial (losses)/profits		523 052	270 236
Interest cost		61 129	67 630
Benefits paid		(73 020)	(60 908)
Total Recognised Benefit Liability		1 691 311	1 180 150

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	-	-
Interest cost	61 129	67 630
Actuarial losses / (gains)	523 052	270 236
Total Post-retirement Benefit included in Employee Related Costs (Note 23)	584 181	337 866

Total Post-retirement Benefit included in Employee Related Costs (Note 23)

	2015 R	2014 R	2013 R	2012 R	2011 R
Obligation	1 691 311	1 180 150	903 912	1 110 194	610 131
Deficit	1 691 311	1 180 150	903 912	1 110 194	610 131

In accordance with the transitional provisions for the amendments to GRAP 25 Employee Benefits in December 2004, the disclosures above are determined

15.2 Post-retirement Long Service Awards liability

Balance at beginning of Year	1 152 254	1 104 871
Actuarial Gain	116 070	(4 352)
Increase due to Discounting	85 074	74 918
Benefits paid	(128 824)	(199 536)
Current service cost	162 476	176 353
Balance at end of Year	1 387 050	1 152 254
Transfer to Current Provisions	(156 010)	(128 824)
Total Post-retirement Long Service Awards liability	1 231 040	1 023 430

The assumptions used are based on statistics and market data as at 30 June 2015. The following valuation assumptions are consistent with the requirements of GRAP 25:

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

Discount rate
 General inflation
 Salary inflation
 Real rate (Gap)

	2 015	2 014
	R	R
	7.89%	7.81%
	6.04%	6.06%
	7.04%	7.06%
	0.79%	0.70%

Discount rate Assumption

The discount rate required by GRAP 25 should be set with reference to a high quality corporate bond. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used. A discount rate of 7.89% per annum has been used. This is derived by using a liability - weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yield is 1.27%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

Future Inflation Assumption

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employees salary at the date of award. General salary inflation in most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation. Thus a general salary inflation of 7.04% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. The assumption reflects a net discount rate of 0.79%. It has been assumed that the next salary increase will take place on 1 July 2016.

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the "gap" between the two assumptions are more important. This "gap" is referred to as the net discount rate. The net discount rate is 0.79% per annum. (Derived from a discount rate of 7.89% and the expected salary inflation rate of 7.04%).

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future experience. The actual

Discount rate

Liability
 Cost / (Saving)

<u>Current Assumption</u>	<u>Decrease of</u>	<u>Increase of</u>
7.89%	0.5%: 7.39%	0.5%: 8.39%

1 387 050	1 317 698	1 456 403
-	69 353	(69 353)

Retirement

<u>Current Assumption</u>	<u>Retire at</u>	<u>Retire at</u>
<u>Retire at</u>	<u>average age</u>	<u>average age</u>
60		57

Liability
 Cost / (Saving)

1 387 050	1 289 957	1 484 144
-	97 093	(97 094)

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

The amounts recognised in the Statement of Financial Position are as follows:

	2 015	2 014
	R	R
Balance at the beginning of the year	1 152 254	1 104 871
Current service costs	162 476	176 353
Interest cost	85 074	74 918
Benefits paid	(128 824)	(199 536)
Actuarial (losses) / gains	116 070	(4 352)
Total Recognised Benefit Liability	1 387 050	1 152 254

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	162 476	176 353
Interest cost	85 074	74 918
Actuarial (losses) / gains	116 070	(4 352)
Total Long service award included in Employee Related Costs (Note 23)	363 620	246 919

The history of experienced adjustments is as follows:

	2015	2014	2013
	R	R	R
Obligation	1 387 050	1 152 254	1 104 871
Deficit	1 387 050	1 152 254	1 104 871

In accordance with the transitional provisions for the amendments to GRAP 25 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan a long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long-service benefits are payable to employees.

Actuarial valuations are performed annually. The most recent valuations of the present value of the defined benefit obligation was carried out at 30 June 2015 by C Weiss of Arch Actuarial Consulting, a member of the Actuarial Society of South Africa.

The defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Expenses recognised in the statement of financial performance.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 015 2 014
R R

16. NON-CURRENT PROVISIONS

Reconciliation of non-current provisions

Environmental rehabilitation

Opening Balance	1 167 051	1 117 227
Increase in provision due to discounting Expenditure incurred	51 989	49 824
Total Non-Current Provision	1 219 040	1 167 051

Assumptions for landfill site provision

The most critical assumptions for estimating the life expectancy and rehabilitation costs of a landfill are:

- Available permitted airspace (typically expressed in cubic metres (m³). The sites will ultimately be used from one side of the fence to the other along the sites' perimeter. However, the final land use has not been determined for all these sites which would indicate the height that is useful for the sites hence the report assumes that, for the sake of calculations, the height of the sites will be between 3 and 5 meters from the lowest level reached by the waste.

- Airspace utilization factor commonly referred to as the in-place waste density (typically expressed as tons of waste placed per cubic meter of airspace consumed (tons/m³). The average density of the waste is between 0, 75 T/m³ to 1, 20 T/m³, depending on waste type and compaction efficiency, as prescribed by DWAF Minimum Requirements for Waste Disposal by Landfill (Second Edition, 1998). In this report it has been assumed that it is 0.75T/m.

- Waste acceptance rate (typically expressed in tons per year (tpy). Daily deposition of waste is about 10 Tons/per day (estimates given by municipal staff and there were no proper records kept).

- The sites have been in existence for the following periods:

Kareedouw	24
Joubertina	54
Krakeelrivier	25
Louterwater	48
Coldstream	42
Woodlands	33
Clarkson	12

- the methodology prescribed by DWAF assumes that landfilling is done instead of waste dumping.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2 015	2 014
	R	R
	307 711 412	307 068 423

17 ACCUMULATED SURPLUSES

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

The **Self-insurance Reserve** is a reserve to fund future insurance losses that will not be recouped from external insurers.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

18 PROPERTY RATES

Rates received

	2 015	2 014
Residential	3 925 520	7 945 725
Commercial	5 123 835	3 303 229
Agricultural	2 865 963	1 967 748
Medical	8 631	8 142
Government	3 491 849	
Schools	71 840	60 557
	15 487 638	13 285 401

Valuations

Residential	1 055 056 750	1 055 056 750
Commercial	298 668 915	298 668 915
State	242 931 390	242 931 390
Agriculture	2 088 128 800	2 088 128 800
Exempted properties	102 060 850	102 060 850
	3 786 846 705	3 786 846 705

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A 6.0 per cent increase in tariffs has been applied.

A general rate of 0.6361c is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state property owners.

Rates are levied on an annual basis, with the option of paying the rates on a monthly basis.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2 015	2 014
	R	R
19 INCOME FROM AGENCY SERVICES		
The following income is generated:		
Driver License Fees	822 321	
Motor Vehicle licenses	632 849	
Roadworthy certificates	36 552	
	<u>1 491 722</u>	
20 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED		
National Equitable Share	33 884 000	31 313 000
Financial Management Grant (FMG)	1 800 000	1 650 000
EPWP	1 000 000	1 000 000
Sarah Baartman District Municipality: Environmental Health Subsidy	649 989	-
PMU- Expenditure Accounted for	738 250	204 094
Sarah Baartman District Municipality	759 726	756 071
MIG Grant	15 627 398	21 959 779
Flood Relief Cacadu	685 822	1 946 841
Local Government: Cacadu District Municipality	1 890 727	1 172 100
Provincial: IDP	4 697	116 063
Municipal Systems Improvement Grant (MSIG)	934 000	890 000
Provincial: Department of Housing Grant	7 646 124	28 325 828
Provincial: LED	105 796	94 784
National: DWAF	7 804 554	-
Disaster Relief Grant	7 753 346	6 311 654
Total Government Grants and Subsidies	<u>81 284 428</u>	<u>95 740 214</u>
National: Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy based on monthly billing, towards the consumer account, which is determined annually by council. All residential households receive 6kl water and some poor areas 50kWh electricity free every month.		
Financial Management Grant (FMG)		
Balance unspent at beginning of year	1 800 000	1 650 000
Current year receipts	-	-
Conditions met - transferred to Revenue	<u>(1 800 000)</u>	<u>(1 650 000)</u>
Balance at the end of the year	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

20 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (continued)

Local Government: Cacadu District Municipality

	2 015	2 014
	R	R
Balance unspent at beginning of year	(77 047)	-
Current year receipts	1 739 254	1 095 053
Transferred to Revenue	(1 890 727)	(1 172 100)
Other Adjustments/Refunds	(20 650)	-
Balance at the end of the year	(249 170)	(77 047)

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
Current year receipts	934 000	890 000
Conditions met - transferred to Revenue	(934 000)	(890 000)
Balance at the end of the year	-	-

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Provincial: IDP

Balance unspent at beginning of year	4 697	120 760
Transferred to Revenue	(4 697)	(116 063)
Balance at the end of the year	-0	4 697

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

Provincial: LED

Balance unspent at beginning of year	237 824	103 333
Current year receipts	-	229 275
Transferred to Revenue	(105 796)	(94 784)
Balance at the end of the year	132 028	237 824

Grant purpose: To provide funding for the employment of a LED assistant to assist with LED programmes within the municipality.

Flood relief C: Sarah Baartman District municipality

Balance unspent at beginning of year	-	261 713
Current year receipts	685 822	1 685 128
Transferred to Revenue	(685 822)	(1 946 841)
Balance at the end of the year	-	-

Grant purpose: The purpose of the grant was for rectification and repairs to infrastructure as a result of flood damages in Kou-kamma district.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

20 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)

PMU- Expenditure Accounted for

Balance unspent at beginning of year
 Current year receipts recognised
 Transferred to Revenue
Balance at the end of the year

	2 015	2 014
	R	R
	-	
	738 250	204 094
	(738 250)	(204 094)
	<u>-</u>	<u>-</u>

Sarah Baartman District Municipality: Environmental Health Subsidy

Balance unspent at beginning of year
 Current year receipts
 Transferred to Revenue
Balance at the end of the year

	-	-
	886 633	-
	(649 989)	-
	<u>236 644</u>	<u>-</u>

Purpose of the subsidy : To provide environmental services on behalf of Sarah Baartman District Municipality.

National - Department of Water Affairs Grant

Balance unspent at beginning of year
 Current year receipts
 Transferred to Revenue
Balance at the end of the year

	762 333	-
	10 182 478	762 333
	(7 804 554)	
	<u>3 140 257</u>	<u>762 333</u>

Grant purpose: The purpose of the grant is for the purchasing of water quality monitoring equipment.

DSRAC Library Subsidy

Balance unspent at beginning of year
 Current year receipts
 Transferred to Revenue
Balance at the end of the year

	207 207	31 278
	932 000	932 000
	(759 726)	(756 071)
	<u>379 481</u>	<u>207 207</u>

Grant purpose: The purpose of the grant is a subsidy for library services in the Kou-kamma district. The subsidy covers salaries, operation and maintenance costs.

MIG Grant

Balance unspent at beginning of year
 Current year receipts
 Transferred to Revenue
 Other Adjustments/Refunds
Balance at the end of the year

	(10 718)	5 085 061
	14 765 000	16 864 000
	(15 627 398)	(21 959 779)
	(167 289)	-
	<u>(1 040 405)</u>	<u>(10 718)</u>

Grant purpose: The purpose of the MIG grant is to provide capital funding for the upgrading, maintenance of the municipal infrastructure in order to provide basic services to the community.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

20 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)

	2015	2014
	R	R
<i>Housing rectification</i>		
Balance unspent at beginning of year	1 240 922	(4 525 908)
Current year receipts	8 217 890	34 092 658
Transferred to Revenue	(7 646 124)	(28 325 828)
Balance at the end of the year	1 812 688	1 240 922

Grant purpose: To provide funding for the creation of sustainable RDP houses.

<i>Disaster Relief Grant</i>		
Balance unspent at beginning of year	2 127 346	-
Current year receipts	5 626 000	8 439 000
Transferred to Revenue	(7 753 346)	(6 311 654)
Balance at the end of the year	-0	2 127 346

Grant purpose: Disaster funding granted to the municipality for the repairs and rehabilitation of roads damaged due to flooding in the 2010 financial year.

EPWP

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Transferred to Revenue	(1 000 000)	(1 000 000)
Balance at the end of the year	-	-

Grant purpose: To provide employment to improve the quality of life of unemployed people through the appointment of them to do labour intensive projects for example: Road Maintenance and the maintenance of buildings; Maintenance of social infrastructure; Beautification and cleansing of the municipal areas.

21 SERVICE CHARGES

Sale of Electricity	2 131 760	1 773 333
Sale of Water	9 735 681	9 690 901
Refuse Removal	3 560 182	3 401 238
Sewerage and Sanitation Charges	7 741 321	7 112 246
Total Service Charges	23 168 945	21 977 718

Attributable to:

Continuing Operations	23 168 945	21 977 718
	23 168 945	21 977 718

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

22 RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
Premises		
Halls		
Houses		
Facilities and equipment		
Rental of equipment	244 520	360 825
Rental other	81 110	101 661
Total Rental of Facilities and Equipment	7 569	8 780
Attributable to:	333 200	471 266
Continuing Operations		
	88	-
	333 288	476 295
	333 288	476 295
	333 288	476 295

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

23 INTEREST EARNED

External Investments:		
Bank Account	136 059	165 332
Short-term deposits	160 509	545 035
Total Interest Earned	296 568	710 367
Outstanding Debtors:		
Debtors	5 554 337	-
Total Interest Earned Outstanding Debtors	5 554 337	-
Total	5 850 905	710 367

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

24 OTHER REVENUE

	2015	2014
	R	R
Connection fees	55 285	63 457
Valuation certificates	3 076	7 440
Building plan fees	147 808	103 171
Land use application fees	978	7 584
Information fees	51 556	21 905
Cemetery fees	65 363	69 290
Recovery	-	36 816
Donations received	348 402	30 000
Sundry other fees	503 045	352 272
Refuse site	582	1 140
Total Other Revenue	1 176 094	693 075
Attributable to:		
Continuing Operations	1 176 094	693 075
	1 176 094	693 075

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 19 to 21, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

25 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	23 082 700	16 911 846
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 230 759	4 527 316
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 895 603	2 175 586
Housing Benefits and Allowances	331 109	232 009
Overtime Payments	2 358 527	1 997 642
Performance Bonuses	1 402 538	1 382 914
Other employee related costs	260 054	675 153
Long-service awards	100 833	442 745
Total Employee Related Costs	34 662 123	28 345 211
Attributable to:		
Continuing Operations	34 662 123	28 345 211
	34 662 123	28 345 211

Included in Employee Related Costs is an amount of R 2 140 249.39 (2014: R 191 401) paid by the municipality to Defined Contribution Plans at rates specified by the rules of the plans. As at 30 June 2015, contributions due in respect of the 2014/2015 reporting period has been paid over to the plans.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

25 EMPLOYEE RELATED COSTS (Continued)
Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager (Nkuhlu S)

Annual Remuneration	760 004	692 741
Performance Bonus	-	89 172
Car and Other Allowances	298 056	298 056
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	1 059 845	1 081 754

Remuneration of the Chief Financial Officer (Venter N)

Annual Remuneration	712 392	658 539
Performance Bonus	-	55 506
Car and Other Allowances	134 400	134 400
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	848 577	850 230

Remuneration of the Manager: Corporate Services (Zenzile M.)

Annual Remuneration	660 780	606 939
Performance Bonus	-	55 506
Car and Other Allowances	186 000	186 000
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	848 565	850 230

Remuneration of the Manager: Technical Services (Fenn L)

Annual Remuneration	-	432 621
Performance Bonus	-	-
Car and Other Allowances	-	189 000
Company Contributions to UIF, Medical and Pension Funds	-	1 338
Total	-	622 959

Resigned in April 2014

Remuneration of the Manager: Technical Services (O Kwababana)

Annual Remuneration	391 473	-
Performance Bonus	-	-
Car and Other Allowances	309 690	-
Company Contributions to UIF, Medical and Pension Funds	-	-
Total	701 163	-

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

25 EMPLOYEE RELATED COSTS (Continued)

Remuneration of the Manager: Strategic Services (Mpumliwana M)

	2 015	2 014
	R	R
Annual Remuneration	556 380	502 539
Performance Bonus	-	55 506
Car and Other Allowances	290 400	290 400
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	848 565	850 230

Remuneration of the Manager: Community Services (Sompani T)

Annual Remuneration	607 704	553 863
Performance Bonus	-	55 506
Car and Other Allowances	239 076	239 076
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	848 565	850 230

Employee costs

Employee related costs	34 662 123	28 345 211
Directors	4 454 117	5 105 633
	39 116 240	33 450 844

26 REMUNERATION OF COUNCILLORS

Mayor	672 763	655 551
Councillors	2 018 170	1 904 050
Councillors' allowances	209 906	208 680
Total Councillors' Remuneration	2 900 839	2 768 281

Councillors' remuneration

Goni P	201 817	190 405
Jacobs S	201 817	190 405
Jantjies B	201 817	190 405
Krige R	201 817	190 405
Mntambo N	201 817	190 405
Nelson L	201 817	190 405
Pottie N	201 817	190 405
Rheeders C	201 817	190 405
Strydom F	201 817	190 405
Smit K	201 817	190 405
	2 018 170	1 904 050

In-kind Benefits

The Executive Mayor is full-time and is provided with an office and secretarial support at the cost of the Council.

The councillor salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

27 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment
 Amortisation: Intangible Assets
 Depreciation: Investment Property
Total Depreciation and Amortisation

Attributable to:
 Continuing Operations

	2015	2014
	R	R
	16 256 630	18 595 544
	508 679	283 701
	117 253	27 951
	<u>16 882 562</u>	<u>18 907 196</u>

	16 882 562	18 907 196
	<u>16 882 562</u>	<u>18 907 196</u>

28 FINANCE COSTS

Other interest paid
 Suppliers
 Finance Charges
 Creditors Overdue
 Attributable to:

Continuing Operations

	289 420	49 840
	323 479	266 580
	36 723	29 768
	<u>649 622</u>	<u>346 188</u>

	649 622	346 188
	<u>649 622</u>	<u>346 188</u>

29 BULK PURCHASES

Electricity
 Water

Total Bulk Purchases

	2 637 491	2 702 111
	36 735	35 816
	<u>2 674 226</u>	<u>2 737 927</u>

30 CONTRACTED SERVICES

Professional Fees
 Security Services
 General contract expenses
Total Contracted Services

Attributable to:

Continuing Operations
 Discontinued Operations

	458 321	7 112
	1 649 304	1 661 277
	1 243 843	1 176 791
	<u>3 351 468</u>	<u>2 845 180</u>

	3 351 468	2 845 180
	-	-
	<u>3 351 468</u>	<u>2 845 180</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

31 GRANTS AND SUBSIDIES PAID	2 015	2 014
	R	R
Low income subsidy/ Free basic services	10 432 867	11 120 717
Community projects	14 660 837	33 939 999
Total Grants and Subsidies	25 093 704	45 060 716

The low income subsidy/ free basic services is in respect of providing basic service levels.

Community Projects are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.

The Mayor makes subsidies available on application after consultation with the Municipal Manager on the merits of such an application.

32 GENERAL EXPENSES	2 015	2 014
	R	R
Included in General Expenses are the following:		
Advertising	356 000	266 557
Audit Fees - External	1 262 806	1 975 077
Bank Charges	226 022	239 504
Cemetery fees	-	25 650
Cleaning	62 492	37 991
Conferences and delegations	32 686	91 738
Consumables	1 561 980	2 051 879
Debt collection	274 461	611 488
Entertainment	-	3 500
Electricity purchases	3 351 684	2 716 924
Refreshments	53 553	49 469
Fuel and oil	1 493 092	1 676 665
Insurance	470 710	494 720
Legal expenses	585 337	2 236 853
Licence cards & fees - vehicles	213 539	109 421
Medical tests	15 341	5 263
Other expenses	280 471	364 154
Other rentals	122 015	71 441
Postage	21 056	21 319
Printing and stationery	194 661	418 296
Rental of office equipment	261 181	258 202
SPU programs	193 621	146 324
Subscription and publications	15 990	15 722
Telephone cost	1 846 313	1 644 050
Training	255 218	199 865
Materials and stores	727 369	-
Travel and subsistence	1 371 242	967 308
Tourism and publicity	2 905	13 421
SALGA	500 000	450 000
Total General Expenses	15 751 744	17 162 802

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

33 CASH GENERATED BY OPERATIONS

(Deficit) / Surplus for the Year		
Adjustment for:		
Depreciation and Amortisation	642 988	685 335
Straight lining of leases		
Losses / (Gains) on Disposal of Property, Plant and Equipment	16 882 562	18 907 196
Movements in retirement benefit assets and liabilities	-11 544	-18 183
Movements in provisions	-22 897	59 798
	745 957	-827 914
	384 313	49 824
Changes in working capital:		
(Increase) / Decrease in Inventories	443 610	846 972
(Increase) / Decrease in receivables from exchange transactions	-3 135 068	3 544 845
(Increase) / Decrease in other receivables from non-exchange transactions	-3 057 274	12 038 344
Increase / (Decrease) in payables from exchange transactions	478 899	-26 452 178
(Increase) / Decrease in VAT receivable	1 522 707	234 141
Increase / (Decrease) in unspent conditional grants and receipts	1 120 769	-3 265 225
Cash generated by / (utilised in) Operations	15 995 023	5 802 955

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

34.1 Unauthorised Expenditure		
Opening balance		
Prior year expenditure approved/condoned council	13 452 364	-5 491 518
	-13 452 364	5 491 518
Unauthorised expenditure : Operating Budget	2 803 323	13 452 364
Unauthorised expenditure : Capital Budget	6 079 535	
	8 882 857	13 452 364
34.2 Fruitless and Wasteful Expenditure		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	602 194	305 830
Fruitless and Wasteful Expenditure current year	560 910	296 364
	1 163 104	602 194
34.3 Irregular Expenditure		
Opening balance	49 812 268	20 011 302
Bridging of the supply chain policy	7 646 124	29 800 966
	57 458 392	49 812 268

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (continued)
 Irregular expenditure to be reported to National Treasury as prescribed by section 170 of the MFMA

	2015	2014
	R	R
2013/14 Financial year	49 812 268	
2014/15 Financial year	7 646 124	
Total	57 458 392	

35 CORRECTION OF PRIOR PERIOD ERROR

The correction of the errors / change in accounting policies resulted in adjustments as follows:

35.1 Operating Leases

The municipality has four operating lease contract. This rentals increase on the anniversary of the contract each year.
 The effect of the straightlining was not accounted for in the prior years.

Adjustment against opening retained earnings 30 June 2013

Adjustments affecting the statement of financial position

Increase in operating Lease Receivables

Adjustments affecting the statement of financial performance

Rental income

	2015	2014
	R	R
		(45 311)
		63 494
		(18 183)
		-

35.2 Salga commitments

Salga was not paid by the municipality and no commitment recorded in council's records

Adjustment against opening retained earnings 30 June 2013

Adjustments affecting the statement of financial position

Increase in sundry creditor

Adjustments affecting the statement of financial performance

Other expenditure

	2015	2014
	R	R
		1 102 000
		(1 552 000)
		450 000
		-

35.3 Road repair and maintenance costs accounted for

Expenditure amounting to R4 241 646.28 relating to roads was incorrectly accounted for as capital in 2013/14.

This was however reclassified as repairs and maintenance in 2014/15 financial year were accounted for as such.

Adjustments affecting the statement of financial position

Work in progress: Assets reduced

Adjustments affecting the statement of financial performance

Repairs and maintenance : Roads

	2015	2014
	R	R
		(4 241 646)
		4 241 646
		-

35.4 2013/14 Reported Unauthorised expenditure

Provision overstated

Restated provision for unauthorised expenditure

	2015	2014
	R	R
		16 214 525
		-2 762 161
		13 452 364

Provision for unauthorised expenditure overstated and incorrect provision approved by council. To be rescinded in the next financial period.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

36 Over provided 2013/14 financial year.

Material losses

Distribution losses on electricity
Distribution losses on water

Accounting for unaccounted for water losses:

Total water usage as per standard norm (CSRI)

Households

Non households

Total accounted for water

Distribution losses could not be recovered by the municipality, due to incomplete records and insufficient infrastructure to provide information in this regard.

Accounted water losses :

Volume Distributed (kl)

Volume Billed(kl)

Non-Revenue Water (kl)

Methodology used

The water loss calculations were based on the readings of the bulk water meters on the main line feeding into the distribution systems from the reservoirs and then the end users meters.

In determining the water loss the following were considered:

The methodology is based on the logical intellect or arithmetic principle that a product metered at initial point of the sealed pipeline will be equal to the amount of product metered at the end of the same pipeline

On that case, the volume of water from reservoir metered on the outlet pipe A distributing to point B, C and D is expected to be equals to the sum of water metered at points B, C and D. The difference is therefore considered a loss as it is not been accounted for.

In the absence of meters at point B, C and D, the total volume of water distributed at point A (Reservoir outlet) is considered water loss as it is not accounted for on the distribution mains.

The value of water is based on the expenditure incurred in relation to the volume of water purified from all systems inclusive of bulk water purchases for the entire financial year.

Such information is used to determine the value of water per specific volume. The determined total amount of water unaccounted for is then converted in to rand value based. On this principle

Audit fees

Opening balance

Current year audit fee

Current year Interest

Interest paid

Amount paid - previous years

	2 015	2 014
R	R	R
	2 015	2 014
2 073 495		2 340 675
6 197 318		2 601 815
8 270 812		4 942 490
Litres per annum	Litres per annum	
	586 482	
	48 107	
	634 589	
Litres per annum		
1 869 554		-
-996 736		-
872 818		-

5 533 033	3 541 553
2 629 881	2 251 587
216 109	249 261
-89 216	-94 063
-582 964	-415 306
7 706 843	5 533 033

The balance unpaid represents the audit fees that could not be paid due to financial constraints endured by the municipality. An agreement was reached with the Auditor General with regards to the settlement of the debt.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
PAYE and UIF		
Current year payroll deductions	4 761 898	4 638 133
Amount paid - current year	-4 457 869	-4 317 697
	<u>304 028</u>	<u>320 437</u>
Pension and medical aid deductions		
Current year payroll deductions and Council contributions	8 263 835	6 535 350
Amount paid - current year	-7 488 580	-5 957 024
	<u>775 255</u>	<u>578 326</u>
VAT		
VAT payable	<u>767 665</u>	<u>234 141</u>

37 COMMITMENTS FOR EXPENDITURE

37.1 Capital Commitments

The municipality had no capital commitments at year-end.

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Community
Other

19 506 096	72 366 204
7 099 246	62 528 504
11 747 100	9 837 700
<u>659 750</u>	

- Approved but Not Yet Contracted for:-

Infrastructure
Community
Other

-	-
-	-
-	-
<u>-</u>	

Total Capital Commitments

19 506 096	72 366 204

This expenditure will be financed from:

Government Grants
Own Resources

18 846 346	72 366 204
659 750	-
<u>19 506 096</u>	<u>72 366 204</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 015 2 014
R R

37 COMMITMENTS FOR EXPENDITURE (continued)

37.2 Lease Commitments - Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Operating leases - Municipality as lessee (expense)

Minimum lease payments due		
- within one year	360 724	109 207
- in second to fifth year inclusive	715 099	3 174
- later than five years	-	-
	<u>1 075 823</u>	<u>112 381</u>

The Municipality has leased portion 250 of Krakeelrivier no. 314 to Strydom Vrugteboerdery for R3,500 per annum with an escalation of 10%. The lease is for an indefinite period.

The municipality has entered into a lease agreement with Telkom to rent the ISDN 30 PRA for a period of 5 years at R2857,58 per month.

The municipality has entered into a lease agreement with Telkom to rent the TL-DIS Gold Access Service for a period of 3 years at R11 195,80 per month.

The Municipality entered into a lease agreement with BJ Kemp, for the use of fountain water and drainage water on Farm Krakeel nr. 114, Joubertina for R4000 pa, with 8% escalation each year. The lease is for a five year period and expires on 30 January 2016.

Operating lease payments represent rentals payable by the municipality for certain of its office equipment.

The municipality has entered into an operating lease agreement with Antemax Equipment CC for the rental of 7 bizhub machines and a binder for a period of three (3) years. The lease period commenced in May 2015.

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:

- (i) The equipment shall remain the property of the lessor;
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the office equipment; and
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

Operating leases - Municipality as lessor (income)

Minimum lease payments due		
- within one year	102 946	96 777
- in second to fifth year inclusive	468 393	444 240
- later than five years	140 907	268 006
	<u>712 246</u>	<u>809 023</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 015 R

2 014 R

Operating leases relate to property being leased out to Sarah Baartman District Municipality to operate as clinics for the community. The Municipality has leased four clinics to the Sarah Baartman District Municipality. The Municipality earns R1 per annum for each clinic. The leases expired in 2011 and 2012 and were not renewed in anticipation of the transfer of these assets to the EC Department of Health. The transfer of Primary Health Care Services is consistent with the Health Act, which classifies the services as the responsibility of the Provincial Authority.

The municipality has entered into a lease agreement with Cell C (Pty) Ltd who is a licensed operator of an electronic communications network. Cell C (Pty) Ltd is leasing a site for the installation of certain infrastructure assets required for the operation of its network. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.

The Municipality has entered into a lease agreement with Vodacom PTY (Pty) Ltd who is a licensed operator of an electronic communications network. Vodacom (Pty) Ltd is leasing a site for the installation of certain infrastructure assets required for the operation of its network. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.

The Municipality has entered into a lease agreement with Vodacom PTY (Pty) Ltd who is a licensed operator of an electronic communications network. Vodacom (Pty) Ltd entered into a lease agreement in order to install antennae and equipment on the building situated at Joubertina. The lease contract expired in 2005

The Municipality has entered into a lease agreement with Sentech Soc Ltd to hire a portion of certain property situated off R62 in Joubertina and the unimpeded use of the access road for the purpose of site access.

Interest rate increase is in line with a published index("increases in line with CPI").

38 FINANCIAL INSTRUMENTS

Categories of financial instruments

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets - 2015

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Receivables from Exchange Transactions
 Receivables from Non-exchange Transactions
 Cash and Cash Equivalents
 VAT receivable

At amortised cost	Total
8 626 940	8 626 940
12 036 810	12 036 810
165 861	165 861
767 665	767 665
21 597 277	21 597 277

Financial Liabilities - 2015

Payables from exchange transactions
 Customer deposits
 Unspent conditional grants

28 483 078	28 483 078
-	-
5 701 098	5 701 098
34 184 176	34 184 176

Financial Assets - 2014

Receivables from Exchange Transactions
 Receivables from Non-exchange Transactions
 Cash and Cash Equivalents
 VAT receivable

5 491 872	5 491 872
8 979 536	8 979 536
8 288 278	8 288 278
2 290 372	234 141
25 050 058	22 993 827

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Financial Liabilities - 2014

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

	2 015	2 014
	R	R
Payables from exchange transactions	26 452 178	26 452 178
Customer deposits	104 700	104 700
Unspent conditional grants	4 580 329	4 580 329
	<u>31 137 207</u>	<u>31 137 207</u>

Risk management

38.1 Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

38 FINANCIAL INSTRUMENTS (Continued)
38.2 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Market Risk.
- Liquidity Risk; and
- Credit Risk;

Risks and exposures are disclosed as follows:

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 015 2 014
R R

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an on going review of future commitments and credit facilities.

The municipality intends to pay creditors within 30 days.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

38.3 Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

38.3 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

38.4 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2 015	2 014
	R	R

38.5 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 015 2 014
R R

38 FINANCIAL INSTRUMENTS (Continued)

Long-term Receivables and Other Debtors are individually evaluated annually at Reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

Surplus for the year ended 30 June 2015 would have decreased by R3 669 896. This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

Bank balance held with Absa bank Limited is R 62 484 (2014: R8 173 738).

38.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2 015	2 014	
	R	R	R

38 FINANCIAL INSTRUMENTS (Continued)

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an on going customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit

Financial assets exposed to credit risk at year end were as follows:

	2 015	2 014
Trade and other receivables from exchange transactions	8 626 940	5 491 873
Other receivables from non-exchange transactions	12 036 810	8 902 489
Cash and cash equivalents	165 861	8 287 968
VAT receivable	767 665	2 290 372
	<u>21 597 277</u>	<u>24 972 702</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 015 2 014
R R

39 IN-KIND DONATIONS AND ASSISTANCE

The municipality received no in-kind donations and assistance during the 2014/15 financial year

40 CONTINGENT LIABILITIES

S Nkuhlul

Kou-kamma municipality laid charges of fraud, anticipated case will be lost.

Probable loss

227 532

-

T. Sompani

Kou-kamma municipality laid charges of fraud, anticipated case will be lost.

Probable loss

97 627

-

Lavack review

Employee dismissed for misconduct, suing Kou-kamma municipality

Possible loss

80 000

Tamboer & Others

These employees are employed by the municipality and are claiming benefits which according to them are due and payable, were stopped.

Probable loss

200 000

-

Gerber (Uitkyk tip site)

The applicant instituted an application against Kou-Kamma for the closure of the Uitkyk waste disposal site. The site is currently illegal and permit is being solicited.

Probable loss

300 000

300 000

B Olivier

Corruption and misrepresentation of data on the E-natis system.

Probable loss

80 000

-

T Mohr and Oudshoorn

These employees were employed by the municipality and are claiming benefits which according to them were not given/paid out to them.

Probable loss

-

700 000

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 015 2 014
R R

41 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

41.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation
Members of key management	
Municipal Manager	S Nkhulu
Chief Financial Officer	N Venter
Manager: Community Services	TM Sompani
Manager: Corporate Services	M Zenzile
Manager: Strategic Services	M Mpumlwana
Manager: Technical Services	O Kwababana
Mayor	Vuso MS
Councillors	Goni P
	Jacobs S
	Jantjies B
	Krige R
	Mntambo N
	Nelson L
	Pottie N
	Rheeders C
	Strydom F
	Smith K

Compensation to key management as per note 23

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party to exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other Managers reporting directly to the Municipal Manager.

42 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

43 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 015 R
2 014 R

44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

44.1 Non-Compliance with the Municipal Finance Management Act

Instance of non-compliance with the MFMA relate to Irregular, Fruitless and Wasteful Expenditure.

44.2 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Applicable SCM policy guideline	Date	Supplier	Amount	Reason
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	2 058.70	Any
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	2 094.25	Any
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	2 095.45	exception
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	3 739.70	al case
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	5 360.15	where it
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	5 482.25	is
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	5 672.90	impractic
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	5 742.10	al or
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	6 315.80	impossibl
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	7 527.41	e to
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	7 983.35	follow the
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	9 554.00	official
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	11 385.05	procurem
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	14 617.50	ent
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	15 937.75	processe
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	15 959.35	s.
36(a)j	Year 2014/2015	ALGOA NISSAN HUMAN	27 217.50	
36(a)j	Year 2014/2015	ALTELEKKER	2 600.00	
36(a)j	Year 2014/2015	ALTELEKKER	2 950.00	
36(a)j	Year 2014/2015	ALTELEKKER	3 855.00	
36(a)j	Year 2014/2015	ALTELEKKER	4 350.00	
36(a)j	Year 2014/2015	ASSEGAIBOSCH COU	16 450.00	
36(a)j	Year 2014/2015	ASSOCIATED PROPER	40 000.00	
36(a)j	Year 2014/2015	AUTO TOWING	17 257.28	In an
36(a)j	Year 2014/2015	B & P TECHNICAL SERV	12 426.00	Emergen
36(a)j	Year 2014/2015	B&P TECHNICAL SERV	4 827.90	cy
36(a)j	Year 2014/2015	B&P TECHNICAL SERV	6 555.00	
36(a)j	Year 2014/2015	B&P TECHNICAL SERV	12 699.60	
36(a)j	Year 2014/2015	B&P TECHNICAL SERV	12 898.32	
36(a)j	Year 2014/2015	B&P TECHNICAL SERV	13 808.25	

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 R 2014 R

36(a)j	Year 2014/2015	B&P TECHNICAL SERVI	13 927.95	
36(a)j	Year 2014/2015	B&P TECHNICAL SERVI	17 316.60	
36(a)j	Year 2014/2015	B&P TECHNICAL SERVI	21 375.00	
36(a)j	Year 2014/2015	B&P TECHNICAL SERVI	24 863.40	
36(a)j	Year 2014/2015	B&P TECHNICAL SERVI	25 678.50	
36(a)j	Year 2014/2015	BEACH CABANAS	30 000.00	
36(a)j	Year 2014/2015	BEACH CABANAS	80 000.00	Any
36(a)j	Year 2014/2015	BEACH CABANAS	90 000.00	exception
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	2 622.00	al case
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	2 761.65	where it
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	2 798.70	is
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	5 892.79	impractic
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	6 493.57	al or
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	7 300.17	impossibl
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	12 165.64	e to
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	24 407.56	follow the
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	25 232.67	official
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	7 225.00	procurem
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	92 030.00	ent
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	14 364.00	processe
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	32 830.00	s.
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	67 716.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	3 763.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	20 781.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	2 964.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	3 078.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	3 990.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	4 210.02	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	32 319.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	186 732.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	87 438.54	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	2 155.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	2 355.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	8 250.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	3 235.43	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	3 430.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	3 960.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	4 530.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	5 430.00	
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	8 840.00	(ii) If such
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	7 975.00	good or
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	8 100.00	Any
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	3 250.00	exception
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	8 595.60	al case
36(a)j	Year 2014/2015	BILSON TRUCKS PORT	64 871.70	where it
36(a)j	Year 2014/2015	BILSON TRUCKS PORT		is

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 R
2014 R

36(a)j	Year 2014/2015	EP WEB ICT SOLUTION	15 105.00	impractic
36(a)j	Year 2014/2015	ERNST & YOUNG ADVIS	47 075.16	al or
36(a)j	Year 2014/2015	Gusha Plant Hire and Civ	18 240.00	impossibl
36(a)j	Year 2014/2015	HENDRIK ELEKTRIESE	51 415.00	e to
36(a)j	Year 2014/2015	IAN DICKIE & CO PTY L	5 886.96	follow the
36(a)j	Year 2014/2015	IXOCENTO (PTY) LTD	6 000.00	official
36(a)j	Year 2014/2015	IXOCENTO (PTY) LTD	80 000.00	procurem
36(a)j	Year 2014/2015	IXOCENTO PTY LTD	29 800.00	ent
36(a)j	Year 2014/2015	IXOCENTO PTY LTD	34 000.00	(ii) If such
36(a)j	Year 2014/2015	IXOCENTO PTY LTD	330 000.00	Any
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	540.00	exception
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	2 250.00	al case
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	2 810.00	where it
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	3 000.00	is
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	3 145.00	impractic
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	3 180.00	al or
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	3 425.00	impossibl
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	4 080.00	e to
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	4 080.00	follow the
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	4 600.00	official
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	4 832.00	procurem
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	5 130.00	ent
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	5 592.00	processe
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	5 740.00	s.
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	5 900.00	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	5 980.00	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	6 450.00	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	6 810.00	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	10 040.00	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	12 560.20	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	13 470.00	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	13 630.00	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	14 363.26	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	17 370.27	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	18 103.96	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	18 126.68	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	19 974.00	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	25 000.00	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	25 000.00	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	33 693.70	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	35 190.52	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	36 276.96	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	36 905.26	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	37 766.18	
36(a)j	Year 2014/2015	KAREEDOUW MOTORS	40 878.32	

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 R 2014 R

36(a)i	Year 2014/2015	KAREEDOUW MOTORS	41 226.00
36(a)i	Year 2014/2015	KAREEDOUW MOTORS	43 916.20
36(a)i	Year 2014/2015	KAREEDOUW MOTORS	46 289.47
36(a)i	Year 2014/2015	KAREEDOUW MOTORS	46 358.67
36(a)i	Year 2014/2015	KAREEDOUW MOTORS	80 321.75
36(a)i	Year 2014/2015	KAREEDOUW MOTORS	84 906.71
36(a)i	Year 2014/2015	KEMP MOTORS	3 192.00
36(a)i	Year 2014/2015	KEMP MOTORS	10 765.00
36(a)i	Year 2014/2015	KEMP MOTORS	13 122.41
36(a)i	Year 2014/2015	KEMP MOTORS	13 237.53
36(a)i	Year 2014/2015	KEMP MOTORS	13 674.23
36(a)i	Year 2014/2015	KEMP MOTORS	14 520.93
36(a)i	Year 2014/2015	KEMP MOTORS	15 081.16
36(a)i	Year 2014/2015	KEMP MOTORS	15 435.99
36(a)i	Year 2014/2015	KEMP MOTORS	16 961.15
36(a)i	Year 2014/2015	KEMP MOTORS	17 511.19
36(a)i	Year 2014/2015	KEMP MOTORS	19 298.54
36(a)i	Year 2014/2015	KEMP MOTORS	19 509.05
36(a)i	Year 2014/2015	KEMP MOTORS	19 517.01
36(a)i	Year 2014/2015	KEMP MOTORS	21 519.77
36(a)i	Year 2014/2015	KEMP MOTORS	21 661.56
36(a)i	Year 2014/2015	KEMP MOTORS	21 860.75
36(a)i	Year 2014/2015	KEMP MOTORS	24 002.24
36(a)i	Year 2014/2015	KEMP MOTORS	26 839.44
36(a)i	Year 2014/2015	KEMP MOTORS	30 000.00
36(a)i	Year 2014/2015	KOUKAMMA VERKEER	8 352.00
36(a)i	Year 2014/2015	KOUKAMMA VERKEER	11 646.00
36(a)i	Year 2014/2015	KOUKAMMA VERKEER	12 084.00
36(a)i	Year 2014/2015	KUNI'S CREATIONS CC	6 480.00
36(a)i	Year 2014/2015	LILAGOMI	3 500.00
36(a)i	Year 2014/2015	LOUTERWATER INGEN	11 400.00
36(a)i	Year 2014/2015	LOUTERWATER INGEN	11 400.00
36(a)i	Year 2014/2015	MAN TRUCK & BUS CEI	12 204.25
36(a)i	Year 2014/2015	MANDITHANDO SECUR	89 450.00
36(a)i	Year 2014/2015	MARS TECHNOLOGIES	6 225.54
36(a)i	Year 2014/2015	MIKE'S MECHANICAL &	3 114.50
36(a)i	Year 2014/2015	MIKE'S MECHANICAL &	4 279.60
36(a)i	Year 2014/2015	MIKE'S MECHANICAL &	4 943.50
36(a)i	Year 2014/2015	MIKE'S MECHANICAL &	5 477.90
36(a)i	Year 2014/2015	MIKE'S MECHANICAL &	17 362.20
36(a)i	Year 2014/2015	MIKE'S MECHANICAL &	17 362.20
36(a)i	Year 2014/2015	MIKE'S MECHANICAL &	39 153.30
36(a)i	Year 2014/2015	MOTOLEK HUMANSDO	2 528.34
36(a)i	Year 2014/2015	NATIONAL HEALTH LAE	5 756.94
36(a)i	Year 2014/2015	NORMA JEAN'S DINER	2 095.00

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 015 R
2 014 R

36(a)i	Year 2014/2015	oudrif landgoed (E)	2 337.00
36(a)i	Year 2014/2015	oudrif landgoed (E)	2 964.00
36(a)i	Year 2014/2015	oudrif landgoed (E)	8 721.00
36(a)i	Year 2014/2015	oudrif landgoed (E)	8 863.50
36(a)i	Year 2014/2015	oudrif landgoed (E)	10 032.00
36(a)i	Year 2014/2015	PERSONNEL NETWORK	3 795.00
36(a)i	Year 2014/2015	PRO ADZ TRADING CC	7 974.30
36(a)i	Year 2014/2015	SPRINTER ZONE COMM	13 030.20
36(a)i	Year 2014/2015	STORMSRIVIER ALGEN	44 568.00
36(a)i	Year 2014/2015	SW WALTERS	21 432.00
36(a)i	Year 2014/2015	TRUVELLO MANUFACT	8 769.15
36(a)i	Year 2014/2015	TSITSIKAMMA TOTAL V	5 509.80
36(a)i	Year 2014/2015	TSITSIKAMMA TOTAL V	9 839.95
36(a)i	Year 2014/2015	TSITSIKAMMA TOTAL V	10 368.70
36(a)i	Year 2014/2015	TSITSIKAMMA TOTAL V	10 955.00
36(a)i	Year 2014/2015	TSITSIKAMMA TOTAL V	11 524.85
36(a)i	Year 2014/2015	TSITSIKAMMA TOTAL V	11 879.70
36(a)i	Year 2014/2015	TSITSIKAMMA TOTAL V	12 407.60
36(a)i	Year 2014/2015	TSITSIKAMMA TOTAL V	12 470.35
36(a)i	Year 2014/2015	TSITSIKAMMA TOTAL V	14 197.40
36(a)i	Year 2014/2015	TSITSIKAMMA VILLAGE	2 322.00
36(a)i	Year 2014/2015	TSITSIKAMMA VILLAGE	3 125.00
36(a)i	Year 2014/2015	TSITSIKAMMA VILLAGE	20 898.00
36(a)i	Year 2014/2015	TSITSIKAMMA VILLAGE	23 382.46
36(a)i	Year 2014/2015	TUINROETE AGRI	3 286.80
36(a)i	Year 2014/2015	TUINROETE AGRI	3 517.90
36(a)i	Year 2014/2015	TUINROETE AGRI	3 657.00
36(a)i	Year 2014/2015	TUINROETE AGRI	3 840.90
36(a)i	Year 2014/2015	TUINROETE AGRI	4 934.50
36(a)i	Year 2014/2015	TUINROETE AGRI	5 133.00
36(a)i	Year 2014/2015	TUINROETE AGRI	5 145.30
36(a)i	Year 2014/2015	TUINROETE AGRI	5 250.60
36(a)i	Year 2014/2015	TUINROETE AGRI	5 991.80
36(a)i	Year 2014/2015	TUINROETE AGRI	6 300.29
36(a)i	Year 2014/2015	TUINROETE AGRI	6 504.00
36(a)i	Year 2014/2015	TUINROETE AGRI	6 606.20
36(a)i	Year 2014/2015	TUINROETE AGRI	7 893.30
36(a)i	Year 2014/2015	TUINROETE AGRI	8 232.10
36(a)i	Year 2014/2015	TUINROETE AGRI	8 336.30
36(a)i	Year 2014/2015	TUINROETE AGRI	8 553.40
36(a)i	Year 2014/2015	TUINROETE AGRI	8 706.80
36(a)i	Year 2014/2015	TUINROETE AGRI	8 782.20
36(a)i	Year 2014/2015	TUINROETE AGRI	8 942.60
36(a)i	Year 2014/2015	TUINROETE AGRI	10 016.20
36(a)i	Year 2014/2015	TUINROETE AGRI	10 019.00

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 015 R
2 014 R

36(a)j	Year 2014/2015	TUINROETE AGRI	10 888.20
36(a)j	Year 2014/2015	TUINROETE AGRI	11 165.70
36(a)j	Year 2014/2015	TUINROETE AGRI	11 760.50
36(a)j	Year 2014/2015	TUINROETE AGRI	12 372.00
36(a)j	Year 2014/2015	TUINROETE AGRI	12 612.00
36(a)j	Year 2014/2015	TUINROETE AGRI	12 707.60
36(a)j	Year 2014/2015	TUINROETE AGRI	12 924.80
36(a)j	Year 2014/2015	TUINROETE AGRI	14 035.40
36(a)j	Year 2014/2015	TUINROETE AGRI	14 221.10
36(a)j	Year 2014/2015	TUINROETE AGRI	14 452.30
36(a)j	Year 2014/2015	TUINROETE AGRI	15 082.90
36(a)j	Year 2014/2015	TUINROETE AGRI	15 687.20
36(a)j	Year 2014/2015	TUINROETE AGRI	16 183.90
36(a)j	Year 2014/2015	TUINROETE AGRI	17 643.80
36(a)j	Year 2014/2015	TUINROETE AGRI	17 867.60
36(a)j	Year 2014/2015	UNIVERSITY OF FORT H	16 250.00
36(a)j	Year 2014/2015	UNIVERSITY OF FORT H	16 250.00
36(a)j	Year 2014/2015	VEZOKUHL YOUTH DE	29 000.00
36(a)j	Year 2014/2015	vi ruiters T/A RUITERS S	22 180.00
36(a)j	Year 2014/2015	VOLVO SOUTHERN AFF	9 563.08

45 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

There are a number of other events and conditions that individually or collectively may cast significant doubt on the going concern assumption and place the municipality's financial sustainability under threat. These indicators include amongst others:

Revenue is not being collected and debtor's recoverability days have worsened during the 2014/15 financial year.

Certain suppliers only provide services on the cash basis now due to problems receiving payments in the past.

The community is refusing to pay for services due to incorrect accounts, faulty water meters and a delay in receiving statements.

Due to cash flow challenges the municipality is unable to pay creditor within 30 days.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

